



**CLARKSON UNIVERSITY**

Auditors' Reports and Related Information as Required by the Uniform  
Guidance and *Government Auditing Standards*

Year Ended June 30, 2023

**CLARKSON UNIVERSITY**

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Year ended June 30, 2023

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## **Independent Auditors' Report**

The Board of Trustees  
Clarkson University:

### **Report on the Audit of the Consolidated Financial Statements**

#### *Opinion*

We have audited the consolidated financial statements of Clarkson University (the University), which comprise the consolidated balance sheets as of June 30, 2023 and 2022, and the related consolidated statements of activities, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the University as of June 30, 2023 and 2022, and the changes in their net assets and their cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

#### *Basis for Opinion*

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the University and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Responsibilities of Management for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with U.S. generally accepted accounting principles, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for one year after the date the consolidated financial statements are issued.

#### *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements*

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.



In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2023 on our consideration of the University's internal control over financial reporting and on our tests of their compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

**KPMG LLP**

Colchester, Vermont  
November 17, 2023

# CLARKSON UNIVERSITY

## Consolidated Balance Sheets

June 30, 2023 and 2022

<b>Assets</b>	<b>2023</b>	<b>2022</b>
Cash and cash equivalents	\$ 8,560,353	11,961,718
Grants and accounts receivable, net	12,656,151	9,635,261
Deposits with trustee	73,074	83,494
Pledges receivable, net	9,728,810	11,629,549
Notes receivable – students, net	3,970,836	4,654,706
Other assets	3,957,118	4,060,608
Right of use lease assets	1,642,112	1,002,453
Annuity and life income funds held in trust	9,617,839	9,630,593
Investments	218,622,166	217,375,526
Property and equipment, net	212,069,246	215,187,349
Total assets	<u>\$ 480,897,705</u>	<u>485,221,257</u>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 3,460,401	5,256,512
Deposits and advances	5,555,626	5,976,698
Bank line of credit outstanding	19,000,000	15,000,000
Other liabilities	6,249,491	6,746,462
Right of use lease obligations	1,658,383	1,010,128
Accrued postretirement benefits	4,138,884	7,472,277
Long-term debt	77,649,470	80,245,681
Asset retirement obligations	6,958,232	6,626,847
Federal and other loan advances	4,397,755	4,934,468
Total liabilities	<u>129,068,242</u>	<u>133,269,073</u>
Net assets:		
Without donor restriction	139,701,592	146,777,853
With donor restriction	212,127,871	205,174,331
Total net assets	<u>351,829,463</u>	<u>351,952,184</u>
Total liabilities and net assets	<u>\$ 480,897,705</u>	<u>485,221,257</u>

See accompanying notes to consolidated financial statements.

**CLARKSON UNIVERSITY**

Consolidated Statement of Activities

Year ended June 30, 2023

(with comparative totals for the year ended June 30, 2022)

	<b>2023</b>		<b>Total</b>	<b>Total 2022</b>
	<b>Without donor restriction</b>	<b>With donor restriction</b>		
Operating revenues:				
Tuition and fees, net	\$ 55,910,767	—	55,910,767	61,736,913
Housing, dining, and other auxiliary services	31,876,965	—	31,876,965	31,598,177
Net tuition, fees and other services	87,787,732	—	87,787,732	93,335,090
Government contracts and grants	12,836,189	—	12,836,189	20,050,488
Private gifts and grants	11,087,231	1,460,228	12,547,459	8,806,010
Other sources	4,657,099	—	4,657,099	3,277,541
Allocation of endowment return for spending	18,091,371	242,538	18,333,909	16,458,914
Net assets released from restrictions	1,970,484	(1,970,484)	—	—
Total operating revenues	<u>136,430,106</u>	<u>(267,718)</u>	<u>136,162,388</u>	<u>141,928,043</u>
Operating expenses:				
Instruction	55,582,577	—	55,582,577	58,484,084
Research	14,067,856	—	14,067,856	13,098,430
Academic support	14,350,459	—	14,350,459	15,675,808
Student services	19,981,057	—	19,981,057	23,692,106
Institutional support	18,824,796	—	18,824,796	20,483,968
Housing, dining and other auxiliary services	17,681,596	—	17,681,596	16,691,023
Total operating expenses	<u>140,488,341</u>	<u>—</u>	<u>140,488,341</u>	<u>148,125,419</u>
Decrease from operating activity	<u>(4,058,235)</u>	<u>(267,718)</u>	<u>(4,325,953)</u>	<u>(6,197,376)</u>
Nonoperating activity:				
State grants and contributions for long-term investment	—	8,122,771	8,122,771	13,331,991
Change in pledges receivable	—	(1,900,739)	(1,900,739)	(158,677)
Total endowment investment return	3,568,209	9,478,589	13,046,798	(7,427,020)
Endowment return distributed for operations	(9,434,158)	(8,899,751)	(18,333,909)	(16,458,914)
Other changes and reclassifications	5,920	—	5,920	3,200
Net assets released from restrictions – capital	276,005	(276,005)	—	—
Postretirement related adjustments other than service costs	3,069,257	—	3,069,257	2,480,700
Other nonoperating income (expense)	<u>(503,259)</u>	<u>696,393</u>	<u>193,134</u>	<u>(2,942,014)</u>
Increase (decrease) from nonoperating activity	<u>(3,018,026)</u>	<u>7,221,258</u>	<u>4,203,232</u>	<u>(11,170,734)</u>
Change in net assets	<u>(7,076,261)</u>	<u>6,953,540</u>	<u>(122,721)</u>	<u>(17,368,110)</u>
Net assets:				
Beginning of year	<u>146,777,853</u>	<u>205,174,331</u>	<u>351,952,184</u>	<u>369,320,294</u>
End of year	\$ <u><u>139,701,592</u></u>	<u><u>212,127,871</u></u>	<u><u>351,829,463</u></u>	<u><u>351,952,184</u></u>

See accompanying notes to consolidated financial statements.

**CLARKSON UNIVERSITY**

Consolidated Statement of Activities

Year ended June 30, 2022

	<b>2022</b>		
	<b>Without donor restriction</b>	<b>With donor restriction</b>	<b>Total</b>
Operating revenues:			
Tuition and fees, net	\$ 61,736,913	—	61,736,913
Housing, dining, and other auxiliary services	31,598,177	—	31,598,177
Net tuition, fees and other services	93,335,090	—	93,335,090
Government contracts and grants	20,050,488	—	20,050,488
Private gifts and grants	7,152,861	1,653,149	8,806,010
Other sources	3,277,541	—	3,277,541
Allocation of endowment return for spending	16,458,914	—	16,458,914
Net assets released from restrictions	207,917	(207,917)	—
Total operating revenues	140,482,811	1,445,232	141,928,043
Operating expenses:			
Instruction	58,484,084	—	58,484,084
Research	13,098,430	—	13,098,430
Academic support	15,675,808	—	15,675,808
Student services	23,692,106	—	23,692,106
Institutional support	20,483,968	—	20,483,968
Housing, dining and other auxiliary services	16,691,023	—	16,691,023
Total operating expenses	148,125,419	—	148,125,419
Increase (decrease) from operating activity	(7,642,608)	1,445,232	(6,197,376)
Nonoperating activity:			
State grants and contributions for long-term investment	717,527	12,614,464	13,331,991
Change in pledges receivable	—	(158,677)	(158,677)
Total endowment investment return	(1,829,681)	(5,597,339)	(7,427,020)
Endowment return distributed for operations	(8,913,809)	(7,545,105)	(16,458,914)
Other changes and reclassifications	2,195,925	(2,192,725)	3,200
Net assets released from restrictions – capital	2,321,392	(2,321,392)	—
Postretirement related adjustments other than service costs	2,480,700	—	2,480,700
Other nonoperating income (expense)	(485,854)	(2,456,160)	(2,942,014)
Increase (decrease) from nonoperating activity	(3,513,800)	(7,656,934)	(11,170,734)
Change in net assets	(11,156,408)	(6,211,702)	(17,368,110)
Net assets:			
Beginning of year	157,934,261	211,386,033	369,320,294
End of year	\$ 146,777,853	205,174,331	351,952,184

See accompanying notes to consolidated financial statements.

**CLARKSON UNIVERSITY**

Consolidated Statements of Cash Flows

Years ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Change in net assets	\$ (122,721)	(17,368,110)
Adjustments to reconcile change in net assets to net cash provided by (used in) net cash operating activities:		
Depreciation and amortization	10,782,214	10,719,187
Loss (gain) on disposal of assets	(5,920)	88,866
Loss on defeasement of debt	—	23,450
Contributions received for long-term investment	(6,305,260)	(11,534,989)
Contributions received for investment in annuity agreements	—	(67,127)
Net realized and unrealized loss (gain) on annuities agreements	(899,456)	1,929,440
Net realized and unrealized loss (gain) on investments	(11,591,345)	7,943,645
Adjustment on loans receivable	16,388	15,901
Asset retirement obligations	422,397	400,480
Amortization of bond premium	(533,697)	(448,722)
Changes in assets and liabilities that effect operating cash flows:		
Accounts receivable	(3,020,890)	(999,646)
Pledges receivable	1,900,739	158,677
Other assets	91,415	(627,190)
Accounts payable and accrued expenses	(1,898,025)	(269,359)
Asset retirement obligation	(84,853)	(64,873)
Deposits and advances	(421,072)	(386,086)
Other liabilities	(496,971)	(959,839)
Right of use – operating lease	12,153	7,675
Postretirement benefits	(3,333,393)	(2,724,876)
Net cash used in operating activities	<u>(15,488,297)</u>	<u>(14,163,496)</u>
Cash flows from investing activities:		
Proceeds from maturity/sale of investments	73,910,483	63,222,028
Purchase of investments	(62,653,568)	(55,207,852)
Increase in short-term investments	(4,046)	25,790
Decrease in deposits with trustee	10,420	(67,035)
Student loans repaid, net	683,870	739,186
Other assets collected	(268)	14,871
Purchase of property and equipment	<u>(7,431,963)</u>	<u>(5,673,054)</u>
Net cash provided by investing activities	<u>4,514,928</u>	<u>3,053,934</u>
Cash flows from financing activities:		
Contributions received for long-term investment	6,305,260	11,534,989
Contributions received for investment in annuity agreements	—	67,127
Proceeds from borrowing	—	18,701,333
Proceeds from bank line of credit	36,000,000	26,600,000
Payments on bank line of credit	(32,000,000)	(16,400,000)
Payment of debt principal	(2,138,334)	(19,783,333)
Payments for debt issuance costs	—	(226,168)
Right of use – finance lease	(58,209)	—
Changes in government loan funds	<u>(536,713)</u>	<u>(791,771)</u>
Net cash provided by financing activities	<u>7,572,004</u>	<u>19,702,177</u>
Net increase in cash and cash equivalents	<u>(3,401,365)</u>	<u>8,592,615</u>
Cash and cash equivalents:		
Beginning of year	<u>11,961,718</u>	<u>3,369,103</u>
End of year	\$ <u>8,560,353</u>	<u>11,961,718</u>
Supplemental disclosures:		
Interest paid	\$ 2,857,943	2,476,418
Noncash transactions:		
Securities contributions	1,893,493	4,910,666
Decrease in construction-related payables	101,914	(42,603)

See accompanying notes to consolidated financial statements.



## CLARKSON UNIVERSITY

### Notes to Consolidated Financial Statements

June 30, 2023 and 2022

#### (1) Summary of Significant Accounting Policies

##### (a) Organization

Clarkson University (the University) is an independent, co-educational, not-for-profit, nonsectarian institution of higher education, with its main campus located in Potsdam, New York. The University, founded in 1896, operates as an education corporation under the New York State Not-for-Profit Corporation Law under the direction of an independent Board of Trustees. The University's Potsdam Campus offers approximately 50+ comprehensive programs in business, engineering, science, liberal arts, health sciences, and environmental studies. In addition to its Potsdam Campus, the University's Capital Region Campus (CRC) located in Schenectady, New York, has graduate programs in bio-ethics, healthcare management, education, business, engineering and K-13 outreach. The University also operates the Beacon Institute, Inc. (Beacon) which consists of a hands-on location in Beacon, New York, that serves as both a research institute focused on healthy water solutions and a provider of educational services, including K-12, public, family and professional graduate programs.

The University serves approximately 4000+ undergraduate and graduate students at its three locations and is accredited by the Middle States Commission on Higher Education (MSCHE), the Accreditation Board of Engineering Technology (ABET), and the Association to Advance Collegiate Schools of Business (AACSB). Programs in health sciences are accredited by the Commission on Accreditation in Physical Therapy Education (CAPTE) of the American Physical Therapy Association (APTA), the Accreditation Review Committee on Education for the Physician Assistant (ARC-PA), and the Accreditation Council for Occupational Therapy Education (ACOTE) of the American Occupational Therapy Association.

J.R. Weston, Inc. (Weston) is a for-profit, wholly owned subsidiary of the University. Weston operations consist of real estate rentals. All significant inter-entity accounts and transactions are eliminated in consolidation.

##### (b) Basis of Accounting

The University prepares its consolidated financial statements on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (GAAP). Accordingly, the University's resources are classified and reported based upon the existence or absence of donor-imposed restrictions as follows:

*Net assets with donor restriction* are subject to donor-imposed stipulations that can be fulfilled by actions of the University pursuant to those stipulations or that expire with the passage of time. Also included are assets that are subject to donor-imposed stipulations that they be maintained into perpetuity. These stipulations do not expire with the passage of time and cannot be fulfilled or otherwise removed by the actions of the University. Generally, the donors of these assets permit the University to use all or part of the investment return on these assets to support program activities, principally financial aid and instruction. Total return on donor restricted assets are reported as net assets with donor restriction until appropriated by the University's Board of Trustees in accordance with New York State laws.

*Net assets without donor restriction* are available for use in general operations and not subject to donor-imposed restrictions. They may be designated for specific purposes by the University or may be limited by contractual agreements with outside parties.

## CLARKSON UNIVERSITY

### Notes to Consolidated Financial Statements

June 30, 2023 and 2022

Revenues are reported as increases in net assets without donor restrictions unless use of the related asset is limited by donor-imposed restrictions.

Expenses are reported as decreases in net assets without donor restriction. Expirations of donor-imposed stipulations that simultaneously increase one class of net assets and decrease another are reported as reclassifications between the applicable classes of net assets as net assets released from restrictions.

Non-operating activities include net realized and unrealized gains and losses on investments, less amounts distributed for operating purposes, contributions for long-term investment such as endowment and capital, postretirement related adjustments other than service costs and the changes in value of deferred gifts.

#### **(c) Use of Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the dates of the financial statements and reported amounts of revenues and expenses during the reporting periods. Management's most significant use of estimates relate to allowances for receivables, investment valuations, accrued postretirement benefits and asset retirement obligations. Actual results could differ from those estimates.

#### **(d) Cash Equivalents**

Cash equivalents represent highly liquid instruments with original maturities of three months or less that are not part of a long-term investment pool.

#### **(e) Deposits with Trustee**

Deposits with trustee represents funds held in trust that are associated with the University's outstanding bonds. As of June 30, 2023 and 2022, the entire balance of 73,074 and \$83,494, respectively, was comprised of construction funds available for spending.

#### **(f) Contributions**

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Unconditional promises to give are reported at their net realizable value if they are expected to be collected within one year. Unconditional promises to give to be collected after one year are discounted, as of the date of the contribution, at rates commensurate with the period of time until the pledge is scheduled to be paid and reflecting an allowance for potential collection risk, and are classified as net assets with donor restrictions.

Gifts are reported as donor restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, donor restricted net assets are reclassified to net assets without donor restriction. Contributions specified for the acquisition or construction of long-lived assets are reported as net assets without donor restriction when the assets are placed in service. In the absence of donor stipulations, income and gains on contributions or contributed assets are reported as

## CLARKSON UNIVERSITY

### Notes to Consolidated Financial Statements

June 30, 2023 and 2022

revenue (increases) to net assets without donor restrictions. Conditional pledges are recognized as revenues when the conditions are met.

#### **(g) Investments**

Investments are reported at fair value. The values of publicly traded fixed income and equity securities are based on quoted market prices. Nonmarketable securities include alternative investments in hedge, private equity, and other similar funds, which are valued using current estimates of fair value in the absence of readily determinable market values. The University utilizes net asset value or its equivalent (NAV) reported by the fund managers as a practical expedient to fair value. The estimates, because of the inherent uncertainty of valuations for these investments, may differ from the values that would have been used had ready markets existed. As of June 30, 2023, the University had no specific plans or intentions to sell investments at amounts different than NAV.

#### **(h) Fair Value**

GAAP defines fair value and establishes a framework for measuring fair value. The GAAP definition of fair value focuses on the exit price of a financial instrument, which is the price that would be received to sell an asset or settle a liability in an orderly transaction between market participants at the measurement date, incorporating a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Observable inputs reflect market data obtained from sources independent of the reporting entity and unobservable inputs reflect the reporting entity's own assumptions about how market participants would value a financial instrument based on the best information available. Valuation techniques used to measure fair value maximize the use of observable inputs and minimize the use of unobservable inputs.

The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used by the University for financial instruments measured at fair value on a recurring basis. A financial instrument's categorization within the valuation hierarchy is based on the lowest level of input that is significant to the fair value measurement.

- Level 1 – quoted prices (unadjusted) in active markets that are observable for assets and liabilities at the measurement date. Assets classified as Level 1 generally include listed equity securities and US Treasury Obligations.
- Level 2 – observable prices that are based on inputs not quoted in active markets but corroborated by market data. Assets and liabilities classified as Level 2 generally include certain debt securities.
- Level 3 – inputs include pricing inputs that are unobservable for the assets and reflect certain assumptions to determine fair value.

Investments in funds measured at NAV as a practical expedient to estimate fair value are not classified in the fair value hierarchy.

#### **(i) Property and Equipment and Asset Retirement Obligations**

Buildings, grounds, equipment, and construction in progress are stated at cost, or, in the case of gifts, at fair value at date of donation, less accumulated depreciation. Expenditures for maintenance, repairs and renewals of relatively minor items are not capitalized. Upon disposal of capital assets, the

# CLARKSON UNIVERSITY

## Notes to Consolidated Financial Statements

June 30, 2023 and 2022

calculated net gain or loss, if any, is included within non-operating activities in the accompanying consolidated statement of activities.

The University assesses its long-lived assets for impairment whenever events or changes in circumstances indicate potential impairment. The University has determined that no impairment losses need be recognized in the periods presented. Depreciation is computed on a straight-line basis over the estimated useful lives of the related assets. Such assets and lives are generally as follows:

Buildings	20–50 years
Equipment	3–20 years

The University accrues for asset retirement obligations in the period in which they are incurred. Beginning with the date identified and through the estimated time of settlement of the obligation, the liability is accreted to its estimated settlement value. Upon settlement of the liability, the University will recognize a gain or loss for any difference between the settlement amount and liability recorded.

The following is a summary of the activity associated with asset retirement obligations during the years ended June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Asset retirement obligations at beginning of year	\$ 6,626,847	6,296,246
Remediation	(84,853)	(64,873)
Accretion expense	416,238	395,474
Asset retirement obligations at end of year	<u>\$ 6,958,232</u>	<u>6,626,847</u>

### (j) *Split-Interest Agreements*

The University's split-interest agreements include charitable remainder trusts, life income funds and perpetual trusts. The underlying assets of the trust agreements are invested in cash, cash equivalents, and equity securities and are carried at fair value. Charitable remainder trusts and life income funds for one or more beneficiaries generally pay lifetime income to those beneficiaries, after which, the principal is made available to the University in accordance with donor stipulations. A liability is established for the present value of the estimated future payments to the beneficiaries, with the difference between the liability and the fair value of the amount received by the University recorded as a contribution. The present value calculation is performed using rates prescribed by the IRS. The split-interest investments have a value of \$9,617,839 and \$9,630,593 as of June 30, 2023 and 2022, respectively. The amount of this liability, which is included in other liabilities on the accompanying consolidated balance sheet, is \$4,652,445 and \$5,029,051 as of June 30, 2023 and 2022, respectively.

### (k) *Retirement Plans*

The University participates in a defined contribution retirement plan. Total expense under this plan, representing the University's contributions to the plan, was \$4,526,389 and \$4,801,105 for the years ended June 30, 2023 and 2022, respectively.

## CLARKSON UNIVERSITY

### Notes to Consolidated Financial Statements

June 30, 2023 and 2022

#### (1) *Income Taxes*

The consolidated financial statements include the University and Beacon, which are generally exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Weston is a taxable subsidiary of the University. The income tax attributable to Weston is reflected in these consolidated financial statements but is not material.

The University recognizes the effect of income tax positions only if those positions are more likely than not of being sustained by a taxing authority and believes it has taken no significant uncertain tax positions.

#### (2) *Liquidity*

As of June 30, 2023 and 2022, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses, scheduled principal payments on debt, and capitalized construction costs not financed with debt, were as follows.

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 8,560,353	11,961,718
Contributions receivable available for operations due within one year	119,940	105,390
University-issued student loan repayments due within one year	494,737	825,578
Grants and accounts receivable, net	10,228,717	7,619,127
Short-term investments	665,321	661,275
Board approved endowment appropriation for following year	<u>10,601,568</u>	<u>10,333,909</u>
Total financial assets available within one year	<u>\$ 30,670,636</u>	<u>31,506,997</u>

The University's cash flows have seasonal variations attributable to timing of tuition and contributions received. To manage liquidity, the University maintains a \$19 million line of credit for immediate liquidity needs. As of June 30, 2023, \$19 million of the line of credit had been utilized. Additionally, the University has board-designated endowment funds of approximately \$47 million as of June 30, 2023. The Board approved in June 2023 an additional draw of \$6 million from the board-designated endowment funds and \$2 million from total pooled endowment assets, with the exception of the Coulter endowed funds, to support operations. Board-designated endowment funds in excess of the amounts appropriated for operations, could be made available if necessary.

As of June 30, 2022, \$15 million of the line of credit had been utilized. The University had board-designated endowment funds of approximately \$53 million as of June 30, 2022. The Board approved in June 2022 an additional draw of \$6 million from the board-designated endowment funds to support operations.

# CLARKSON UNIVERSITY

## Notes to Consolidated Financial Statements

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### (3) Investments and Fair Value

#### (a) Fair Value

Investment valuations are established and classified based on a variety of inputs, as described in note 1(h). The fair value of investments and the input classifications or levels, by investment category, at June 30, 2023 and 2022, are shown in the following tables:

2023	Level 1	Level 2	Level 3	Measured at NAV	Total
Deposits with trustee	\$ 73,074	—	—	—	73,074
Investment manager cash	56,634	—	—	—	56,634
Other assets:					
Short-term investments	665,321	—	—	—	665,321
GATE receivable	—	—	99,842	—	99,842
Subtotal other assets	665,321	—	99,842	—	765,163
Annuity and life income funds held in trust:					
Money market and similar	78,716	—	—	—	78,716
U.S. government securities	3,289,269	—	—	—	3,289,269
Equities:					
Domestic	4,727,837	—	—	—	4,727,837
International	1,330,360	—	—	—	1,330,360
Real assets	95,945	—	—	—	95,945
Commodities	95,712	—	—	—	95,712
Subtotal annuity and life income funds held in trust	9,617,839	—	—	—	9,617,839
Investments:					
Money market and similar	27,303,085	—	—	—	27,303,085
U.S. government securities	19,855,397	—	—	—	19,855,397
Equities:					
Domestic	43,112,303	—	—	—	43,112,303
International	4,781,935	—	—	31,775,360	36,557,295
Hedge funds:					
Multistrategy funds	—	—	—	22,920,410	22,920,410
Private equity	—	—	—	37,401,162	37,401,162
Venture capital	—	—	—	23,034,199	23,034,199
Real assets	—	—	16,000	8,059,795	8,075,795
Life insurance policies	—	—	362,520	—	362,520
Investments	95,052,720	—	378,520	123,190,926	218,622,166
Total assets at fair value	\$ 105,465,588	—	478,362	123,190,926	229,134,876

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2022	Level 1	Level 2	Level 3	Measured at NAV	Total
Deposits with trustee	\$ 83,494	—	—	—	83,494
Investment manager cash	294,789	—	—	—	294,789
Other assets:					
Short-term investments	661,275	—	—	—	661,275
GATE receivable	—	—	115,963	—	115,963
Sub-total other assets	661,275	—	115,963	—	777,238
Annuity and life income funds held in trust:					
Money market and similar	195,244	—	—	—	195,244
U.S. government securities	3,001,316	—	—	—	3,001,316
Equities:					
Domestic	4,528,004	—	—	—	4,528,004
International	1,609,227	—	—	—	1,609,227
Real assets	142,796	—	—	—	142,796
Commodities	154,006	—	—	—	154,006
Subtotal annuity and life income funds held in trust	9,630,593	—	—	—	9,630,593
Investments:					
Money market and similar	16,359,555	—	—	—	16,359,555
U.S. government securities	14,089,968	—	—	—	14,089,968
Equities:					
Domestic	41,577,563	—	—	—	41,577,563
International	10,942,163	—	—	26,661,146	37,603,309
Hedge funds:					
Multistrategy funds	—	—	—	32,225,638	32,225,638
Private equity	—	—	—	38,099,247	38,099,247
Venture capital	—	—	—	28,134,890	28,134,890
Real assets	—	—	16,000	8,926,543	8,942,543
Life insurance policies	—	—	342,813	—	342,813
Investments	82,969,249	—	358,813	134,047,464	217,375,526
Total assets at fair value	\$ 93,639,400	—	474,776	134,047,464	228,161,640

The methods above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the University believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

# CLARKSON UNIVERSITY

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The following table summarizes the changes in value of financial instruments within Level 3 of the fair value hierarchy defined above.

	<u>Fair value July 1, 2022</u>	<u>Gains (losses) net of fees</u>	<u>Gifts</u>	<u>Distributions/ payments</u>	<u>Present value adjustment</u>	<u>Fair value June 30, 2023</u>
Assets:						
GATE receivable	\$ 115,963	—	—	(11,535)	(4,586)	99,842
Real assets	16,000	—	—	—	—	16,000
Life insurance policies	342,813	19,707	—	—	—	362,520
Total assets at fair value	<u>\$ 474,776</u>	<u>19,707</u>	<u>—</u>	<u>(11,535)</u>	<u>(4,586)</u>	<u>478,362</u>

	<u>Fair value July 1, 2021</u>	<u>Gains (losses) net of fees</u>	<u>Gifts</u>	<u>Distributions/ payments</u>	<u>Present value adjustment</u>	<u>Fair value June 30, 2021</u>
Assets:						
GATE receivable	\$ 146,735	—	—	(17,736)	(13,036)	115,963
Real assets	16,000	—	—	—	—	16,000
Life insurance policies	351,022	(8,209)	—	—	—	342,813
Total assets at fair value	<u>\$ 513,757</u>	<u>(8,209)</u>	<u>—</u>	<u>(17,736)</u>	<u>(13,036)</u>	<u>474,776</u>

### (b) Investment Return

A majority of endowment assets are pooled for investment, and the University utilizes a total return approach to investments in the endowment pool. This approach considers yield (primarily interest and dividends) as well as the net realized and unrealized gain (loss) in the fair value of pooled investments when determining the spending amount. The unit fair value is used to account for income distributed and pool transactions. Pooled funds were as follows as of June 30:

	<u>2023</u>	<u>2022</u>
Investments in pooled funds, at fair value	\$ 218,225,723	217,246,772
Total number of units	799,612	795,440
Market value per unit	\$ 272.91	273.12



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The University's return on endowment investments was as follows for the years ended June 30:

	<u>2023</u>	<u>2022</u>
Investment earnings, net of fees	\$ 1,453,434	516,625
Realized and unrealized gain/(loss), net	<u>11,593,364</u>	<u>(7,943,645)</u>
Total return on investment	13,046,798	(7,427,020)
Allocation for endowment spending policy	<u>(18,333,909)</u>	<u>(16,458,914)</u>
Nonoperating investment loss	\$ <u><u>(5,287,111)</u></u>	<u><u>(23,885,934)</u></u>

**(c) Liquidity of Investments**

Investments include certain illiquid private equity and venture capital funds. Those investments are illiquid because distributions from them are made upon the liquidation of underlying investments. Also, certain of the University's hedge fund investments are subject to restrictions impacting their liquidity. Those restrictions include contractual lock up provisions, redemption notification requirements, and other restrictions.

Under the terms of certain limited partnership agreements, the University is obligated periodically to advance additional funding. At June 30, 2023 and 2022, the University had unfunded commitments of approximately \$16,761,836 and \$21,286,000, respectively, for which capital calls had not been exercised. Such commitments generally have fixed expiration dates or other termination clauses.

Limitations and restrictions on the University's ability to liquidate investments vary by investment type. This can range from no restrictions for publicly traded securities, to specific notice periods (generally 30 to 90 days after initial lock-up periods) for certain alternative investments. This also includes dependency on the disposition of portfolio positions and return of capital by the fund manager for private equity, venture capital and real estate limited partnership interests. Investments with daily liquidity generally do not require any notice prior to liquidation.

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Detailed liquidity of the University's investments as of June 30, 2023 and June 30, 2022 is as follows:

2023						
	Daily	Monthly	Quarterly	Annually	Illiquid	Total
Money market and similar	\$ 27,303,085	—	—	—	—	27,303,085
U.S. government securities	19,855,397	—	—	—	—	19,855,397
Equities:						
Domestic	37,188,134	5,924,169	—	—	—	43,112,303
International	4,677,566	14,622,896	9,815,370	—	7,441,463 *	36,557,295
Hedge funds:						
Multistrategy funds	—	12,167,690	819,756	5,879,679	4,053,285	22,920,410
Private equity	—	—	—	—	37,401,162	37,401,162
Venture capital	—	—	—	—	23,034,199	23,034,199
Real assets	—	8,059,795	—	—	16,000	8,075,795
Other	—	—	—	—	362,520	362,520
Total	\$ 89,024,182	40,774,550	10,635,126	5,879,679	72,308,629	218,622,166

  

2022						
	Daily	Monthly	Quarterly	Annually	Illiquid	Total
Money market and similar	\$ 16,359,555	—	—	—	—	16,359,555
U.S. Government securities	14,089,968	—	—	—	—	14,089,968
Equities:						
Domestic	32,331,995	9,245,568	—	—	—	41,577,563
International	10,837,489	9,243,624	10,210,940	—	7,311,256	37,603,309
Hedge funds:						
Multistrategy funds	—	16,238,316	3,698,357	5,856,858	6,432,107 *	32,225,638
Private equity	—	—	—	—	38,099,247	38,099,247
Venture capital	—	—	—	—	28,134,890	28,134,890
Real assets	—	8,926,543	—	—	16,000	8,942,543
Other	—	—	—	—	342,813	342,813
Total	\$ 73,619,007	43,654,051	13,909,297	5,856,858	80,336,313	217,375,526

\* Redemption period allows full redemption every 3 years on the anniversary date of the investment with 90 day notice period.

### (4) Endowment Funds

The University is subject to the New York Prudent Management of Institutional Funds Act (NYPMIFA), which governs the management and investment of funds held by not-for-profit corporations and other institutions. Absent donor stipulations to the contrary, the statutory guidelines contained in NYPMIFA relate to the prudent management, investment and expenditure of donor-restricted endowment funds without regard to the original value of the gifts. However, NYPMIFA contains specific factors that must be considered prior to making investment decisions or appropriating funds for expenditure. For accounting

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purposes, the University applies the concepts included in NYPMIFA and ASC Topic 958, *Not-for-Profit Entities*, in its classification of unspent accumulated total return as net assets with donor restrictions.

The Board of Trustees' interpretation of its fiduciary responsibilities for donor-restricted endowment funds under New York State's Not-for-Profit Corporation Law, including NYPMIFA, is to preserve intergenerational equity to the extent possible by prudently managing, investing, and spending from the endowment funds. This principle holds that future endowment beneficiaries should receive at least the same level of economic support that the current generation receives. As a result of this interpretation, the University classifies as donor restricted net assets (a) the original value of gifts donated to a true endowment, (b) the original value of subsequent gifts to a true endowment fund, and (c) accumulations to a true endowment fund made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Unspent appropriations related to donor-restricted endowment funds are classified as donor restricted net assets until the amounts are able to be expended by the University in a manner consistent with the donor's intent.

The Board of Trustees determines the appropriate amount to withdraw from endowment and similar funds on an annual basis to provide support for operations with prudent concern for the long-term growth in the underlying assets as well as the specific factors detailed in NYPMIFA. The Board-approved spending policy is designed to insulate endowment support for programming from short-term fluctuations in capital markets.

Endowment net assets as of June 30, 2023 are approximately \$218,427,000 with approximately \$218,226,000 in endowed investments, and \$201,000 due to the endowment.

Endowment net assets as of June 30, 2022 are approximately \$216,603,000 with approximately \$217,247,000 in endowed investments, and \$644,000 due from the endowment. As a result of an internal review, including review of donor documentation, the net assets of Weston in the amount of \$2,628,031 were removed from the endowment during fiscal year 2022.

Endowment net assets consisted of the following as of June 30, 2023:

	<b>Without donor restriction</b>	<b>With donor restriction</b>	<b>Total</b>
Donor-restricted	\$ —	171,646,595	171,646,595
Board-designated	46,780,624	—	46,780,624
Total endowment net assets	\$ 46,780,624	171,646,595	218,427,219

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Endowment net assets consisted of the following as of June 30, 2022:

	<b>Without donor restriction</b>	<b>With donor restriction</b>	<b>Total</b>
Donor-restricted	\$ —	163,846,621	163,846,621
Board-designated	52,756,058	—	52,756,058
Total endowment net assets	<u>\$ 52,756,058</u>	<u>163,846,621</u>	<u>216,602,679</u>

Changes in endowment net assets for the year ended June 30, 2023 were as follows:

	<b>Without donor restriction</b>	<b>With donor restriction</b>	<b>Total</b>
Net assets at June 30, 2022	\$ 52,756,058	163,846,621	216,602,679
Interest and dividends, net of fees	351,006	1,102,428	1,453,434
Net realized and unrealized gains	<u>3,217,203</u>	<u>8,376,161</u>	<u>11,593,364</u>
Total investment return	3,568,209	9,478,589	13,046,798
Contributions	—	6,734,235	6,734,235
Amounts appropriated for expenditure	(8,779,901)	(8,752,475)	(17,532,376)
Amounts appropriated for debt service	(763,742)	—	(763,742)
Other reclassifications	<u>—</u>	<u>339,625</u>	<u>339,625</u>
Net assets at June 30, 2023	<u>\$ 46,780,624</u>	<u>171,646,595</u>	<u>218,427,219</u>

Changes in endowment net assets for the year ended June 30, 2022 were as follows:

	<b>Without donor restriction</b>	<b>With donor restriction</b>	<b>Total</b>
Net assets at June 30, 2021	\$ 63,778,984	176,961,838	240,740,822
Interest and dividends, net of fees	138,105	378,520	516,625
Net realized and unrealized gains	<u>(1,967,786)</u>	<u>(5,975,859)</u>	<u>(7,943,645)</u>
Total investment return	(1,829,681)	(5,597,339)	(7,427,020)
Contributions	—	2,527,172	2,527,172
Amounts appropriated for expenditure	(8,505,088)	(7,417,022)	(15,922,110)
Amounts appropriated for debt service	(720,241)	—	(720,241)
Other reclassifications	<u>32,084</u>	<u>(2,628,028)</u>	<u>(2,595,944)</u>
Net assets at June 30, 2022	<u>\$ 52,756,058</u>	<u>163,846,621</u>	<u>216,602,679</u>

## CLARKSON UNIVERSITY

### Notes to Consolidated Financial Statements

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#### **(a) Endowment Funds with Deficits**

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the value of the initial and subsequent donor gift amounts, i.e the funds are “underwater”. These deficits result from unfavorable market fluctuations that occur after the investment of endowment funds or from spending deemed prudent.

In accordance with the Prudent Management standards contained in NYPMIFA, the University has the ability to spend from individual endowments that are underwater, if it considers such action to be prudent for that particular endowment. In accordance with the implementation of NYPMIFA in 2011, the University asked existing donors if they wished to prevent spending from their endowment if it was underwater, their responses were recorded and are followed. Absent the donor prohibition on spending from underwater endowments, the Board policy is to apply the spending formula to underwater endowments.

When donor-restricted endowment deficits exist, they are classified as a reduction of net assets with donor restrictions. Deficits of this nature at June 30 were as follows:

	<u>2023</u>	<u>2022</u>
Aggregate amount by which funds are underwater	\$ (905,864)	(991,978)
Aggregate of original gift amount	<u>25,047,079</u>	<u>26,027,083</u>
Fair value of underwater endowments	<u>\$ 24,141,215</u>	<u>25,035,105</u>

#### **(b) Return Objectives and Risk Parameters**

The University has adopted endowment investment and spending policies that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of endowment assets. Under this policy, the return objective for the endowment assets, measured over a full market cycle, shall be to maximize the return against a blended index, based on the endowment’s target allocation applied to the appropriate individual benchmarks. The University expects its endowment funds over time, to provide an average rate of return of approximately 8.0% annually. Actual returns in any given year may vary from this amount.

#### **(c) Strategies Employed for Achieving Investment Objectives**

To achieve its long-term rate of return objectives, the University relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized gains) and current yield (interest and dividends). The University targets a diversified asset allocation that places greater emphasis on equity-based investments to achieve its long-term objectives within prudent risk constraints.

#### **(d) Endowment Spending Allocation and Relationship of Spending Policy to Investment Objectives**

The Board of Trustees determines the appropriate amount to withdraw from endowment and similar funds on an annual basis to provide support for operations with prudent concern for the long-term growth in the underlying assets as well as the specific factors detailed in NYPMIFA. The Board of Trustees of the University determines the method to be used to appropriate endowment funds for

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expenditure. Annual spending rates of 4.57% and 5.37% for fiscal years ended June 30, 2023 and 2022, respectively, are based on a trailing 12-quarter average market value of donor restricted and board-designated pooled assets. In both years, an additional annual spending of approximately 1% based on the trailing 12-quarter average market value of board-designated endowments was by the Board of Trustees for debt service expenses or capital expenditures. In fiscal year 2023, the Board of Trustees authorized special distributions of \$6 million from the board-designated endowment and \$2 million from donor restricted and board-designated pooled assets to support operations.

### (5) Net Assets

At June 30, 2023 and 2022, net assets were comprised as follows:

		<b>Without donor restriction</b>	
		<b>2023</b>	<b>2022</b>
Net investment in plant	\$	127,525,917	128,447,533
Board designated endowment		46,780,624	52,756,058
Other		(30,466,065)	(26,953,461)
Postretirement benefit obligations		(4,138,884)	(7,472,277)
Total net assets without donor restriction	\$	<u>139,701,592</u>	<u>146,777,853</u>
		<b>With donor restriction</b>	
		<b>2023</b>	<b>2022</b>
Pledges receivable	\$	9,728,810	11,629,549
Other program restrictions		9,358,486	9,625,558
Restricted for facilities		12,199,689	11,288,984
Restricted for student loans		4,428,614	4,401,503
Life income, annuity, and similar funds		4,765,677	4,382,116
Endowment funds:			
General operating		57,907,013	57,716,326
Instruction		49,011,705	49,239,536
Scholarship		54,832,523	48,094,526
Research		2,215,464	2,208,520
Program support		4,350,419	3,311,411
Athletics/extracurricular		3,329,471	3,276,302
Total net assets with donor restriction	\$	<u>212,127,871</u>	<u>205,174,331</u>

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	<b>With donor restriction</b>	
	<b>2023</b>	<b>2022</b>
Held in perpetuity	\$ 149,674,366	142,217,728
Time or purpose restricted	62,453,505	62,956,603
Total	<u>\$ 212,127,871</u>	<u>205,174,331</u>

**(6) Revenues and Related Receivables**

The University recognizes revenue from student tuition and fees within the fiscal year in which educational services are provided. Institutional aid, in the form of scholarships and grants-in-aid, includes amounts funded by the endowment, research funds, and gifts, and reduces the published price of tuition for students receiving such aid. As such, institutional aid is referred to as a tuition discount and represents the difference between the stated charge for tuition and fees and the amount that is billed to the student and/or third parties making payments on behalf of the student.

The composition of net tuition, fees and other services for the years ended June 30, 2023 and 2022 is summarized as follows:

	<b>2023</b>	<b>2022</b>
Tuition and fees	\$ 165,045,912	173,216,800
Less university scholarships	(108,660,116)	(110,948,942)
Government funded student aid	(475,029)	(530,945)
Tuition and fees, net	<u>55,910,767</u>	<u>61,736,913</u>
Housing	20,438,310	20,134,878
Dining	11,124,198	11,392,774
Other auxiliary services	314,457	70,525
Housing, dining and other auxiliary services	<u>31,876,965</u>	<u>31,598,177</u>
Net tuition, fees and other services	<u>\$ 87,787,732</u>	<u>93,335,090</u>

The University has multiple summer sessions with program specific schedules, some of which are 5 week sessions and others are quarterly. Based on the specific program, summer sessions have varying start and end dates. Payments of tuition for all of the summer terms are recognized as performance obligations are met. Because most of these programs span two reporting periods, a portion of payments for these sessions, ranging from 50% to 100%, are included in deferred revenue at June 30.

*Auxiliary Services Revenue*

Auxiliary services exist to furnish goods or services to students, faculty, staff, or incidentally to the general public, and charges a fee directly related to, although not necessarily equal to, the cost of the goods or services. The distinguishing characteristics of auxiliary services is that they are managed as an essentially self-supporting activity.

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Auxiliary services revenue includes revenues from contracts with customers to provide student housing and dining facilities, ticket sales for athletic and community events, and other miscellaneous activities.

With the exception of a small commuter student population, all undergraduate students live in University-sponsored housing. Payments for these services are due approximately one week prior to the start of the academic term. Performance obligations for housing and dining services are recognized ratably as services are rendered. For ticket sales and other miscellaneous items, revenue is recognized as the event occurs. Auxiliary service revenue is detailed in the Net Tuition, Fees and Other Services table above.

#### *Sponsored Awards*

The University receives sponsored program funding from various governmental and corporate sources. The funding may represent a reciprocal transaction in exchange for an equivalent benefit in return, or it may be a nonreciprocal transaction (conditional contribution) in which the resources provided are for the benefit of the University, the funding organization, or the public at large.

The University has elected the simultaneous release option for conditional contributions that are subject to purpose restrictions. Under this option, net assets without donor restrictions will include the donor-restricted contributions for which the purpose restrictions are met in the same reporting period as the revenue is recognized.

In the years ended June 30, 2023 and 2022, sponsored programs revenue earned from governmental sources totaled \$12,836,189 and \$20,050,488, respectively. Indirect costs recovered on federally sponsored programs are generally based on predetermined reimbursement rates, which are stated as a percentage and allocated based on the modified total direct costs incurred. The University negotiates this federal indirect rate with its cognizant federal agency. Indirect costs recovered on all other grants and contracts are based on rates negotiated with the respective sponsors. Funds received for sponsored research activity are subject to audit. Based upon information currently available, management believes that any liability resulting from such audits will not materially affect the financial position or operations of the University.

Accounts receivable consisted of the following at June 30:

	<b>2023</b>	<b>2022</b>
Student receivable	\$ 4,750,807	4,518,376
Less allowance for bad debt	(828,080)	(816,556)
Student receivable, net	<u>3,922,727</u>	<u>3,701,820</u>
Research contracts and grants receivable	6,158,846	3,853,050
Less allowance for bad debt	(202,129)	(13,122)
Research contracts and grants receivable, net	<u>5,956,717</u>	<u>3,839,928</u>
Other receivables	<u>2,776,707</u>	<u>2,093,513</u>
Total receivables, net	<u>\$ 12,656,151</u>	<u>9,635,261</u>



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Pledges receivable, net, as of June 30 2023 and 2022, consisted of the following:

	<u>2023</u>	<u>2022</u>
Payments anticipated to be received:		
In less than one year	\$ 3,103,536	4,581,317
In one to five years	7,709,900	8,326,283
In greater than five years	<u>100,000</u>	<u>225,000</u>
Gross receivable	10,913,436	13,132,600
Less present value discount and allowance for doubtful receivables	<u>(1,184,626)</u>	<u>(1,503,051)</u>
Net pledges receivable	<u>\$ 9,728,810</u>	<u>11,629,549</u>

**(7) Property and Equipment**

Property and equipment consisted of the following at June 30:

	<u>2023</u>	<u>2022</u>
Buildings and grounds	\$ 352,480,953	349,759,291
Equipment	50,910,642	49,232,435
Construction in progress	<u>6,438,128</u>	<u>4,161,826</u>
Total property and equipment	409,829,723	403,153,552
Less accumulated depreciation	<u>(197,760,477)</u>	<u>(187,966,203)</u>
	<u>\$ 212,069,246</u>	<u>215,187,349</u>

Construction in progress is comprised of projects started but not completed at June 30. The estimated costs to complete these projects, most of which represent costs to be incurred under contracts with vendors, are approximately \$395,824. These projects consist of site work, academic space renovations, townhouse exterior updates, project design costs and others.

Capitalized interest costs were \$137,859 and \$46,754 for the years ended June 30, 2023 and 2022, respectively. Depreciation expense was \$10,706,393 and \$10,719,187 for the years ended June 30, 2023 and 2022, respectively.

**(8) Leases**

On February 28, 2020, Clarkson University entered into a 65-year lease agreement with The Quarry Potsdam, LLC., whereby The Quarry Potsdam, LLC will lease from Clarkson University one of its buildings located in downtown Potsdam, known as Old Snell Hall, comprising a total of 88,000 square feet. Under the terms of the lease agreement, The Quarry Potsdam, LLC will pay Clarkson University an annual nominal

# CLARKSON UNIVERSITY

## Notes to Consolidated Financial Statements

June 30, 2023 and 2022

rent for this space, as well as renovate the facility by converting a majority of the space into affordable housing to rent to residents of the Potsdam community.

In December 2021, the University began to lease back from The Quarry Potsdam, LLC approximately 22,000 square feet that includes a community theatre space, along with space to be utilized by the University's Shipley Center and future incubator endeavors. Under the terms of this operating lease, the University is obligated for an initial fifteen-year term expiring in 2036 with options to extend the lease up to the full 65 years of the master lease, unless cancelled by either party.

The lease has been classified as an operating lease and is included in the data presented below. Because the University is not reasonably certain to exercise these renewal options, the options are not considered in determining the lease term, and associated potential option payments are excluded from lease payments.

During the fiscal year, the University engaged with Enterprise Fleet Management as part of a long term plan to lease all University vehicles. As of June 30, 2023, the University has leased 15 vehicles. These leases were evaluated and have been classified as finance leases.

Right-of-use assets represent the University's right to use an underlying asset for the lease term, if greater than twelve months. Lease obligations represent the University's liability to make lease payment arising from the lease. Operating and finance lease right-of-use assets and related obligations are recognized at commencement date based on the present value of lease payments over the lease term discounted using an appropriate incremental borrowing rate. The incremental borrowing rate is based on the information available at commencement date in determining the present value of lease payments. The value of an option to extend or terminate a lease is reflected to the extent it is reasonably certain management will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

	<u>2023</u>	<u>2022</u>
Lease cost:		
Amortization of right-of-use assets - operating	\$ 49,912	28,274
Operating lease expense	<u>49,297</u>	<u>29,597</u>
Total operating lease expense	\$ <u>99,209</u>	<u>57,871</u>
Amortization of right-of-use assets - finance	\$ 54,653	—
Finance lease expense	<u>8,590</u>	<u>—</u>
Total finance lease expense	\$ <u>63,243</u>	<u>—</u>

**CLARKSON UNIVERSITY**  
Notes to Consolidated Financial Statements  
June 30, 2023 and 2022

Lease terms and discount rate follow:

	<u><b>2023</b></u>	<u><b>2022</b></u>
Weighted average remaining lease term (years):		
Operating lease	13.4 years	14.4 years
Finance lease	3.7 years	—
Weighted average discount rate:		
Operating lease	5.00 %	5.00 %
Finance lease	5.26	—

The approximate future minimum lease payments under operating and finance leases as of June 30, 2023 is as follows:

	<u><b>Operating lease</b></u>	<u><b>Finance lease</b></u>
2024	\$ 88,797	205,819
2025	90,573	205,819
2026	92,385	205,819
2027	94,232	139,019
2028	96,117	—
Thereafter	888,777	—
Net present value adjustment	<u>(378,512)</u>	<u>(70,462)</u>
Total lease liabilities	<u><u>\$ 972,369</u></u>	<u><u>686,014</u></u>

# CLARKSON UNIVERSITY

## Notes to Consolidated Financial Statements

June 30, 2023 and 2022

### (9) Long-Term Debt

Outstanding debt consisted of the following at June 30:

	<u>2023</u>	<u>2022</u>
Clarkson University:		
St. Lawrence County Industrial Development Authority (IDA):		
St. Lawrence County IDA Bonds – 2012B (a)	\$ 3,000,000	3,000,000
St. Lawrence County IDA Bonds – 2017 (b)	26,530,000	27,995,000
St. Lawrence County IDA Bonds – 2021A (c)	10,730,000	10,730,000
St. Lawrence County IDA Bonds – 2021B (d)	14,875,000	14,875,000
St. Lawrence County IDA Bonds – 2021C (e)	9,890,000	10,295,000
City of Schenectady IDA Bonds – 2008A (f)	3,775,000	3,960,000
M&T Loan (g)	<u>916,667</u>	<u>1,000,000</u>
Total outstanding principal	69,716,667	71,855,000
Bond premiums	9,239,721	9,773,417
Bond issuance costs	<u>(1,306,918)</u>	<u>(1,382,736)</u>
Total long-term debt	<u>\$ 77,649,470</u>	<u>80,245,681</u>

- (a) The 2012B IDA bonds were issued for dormitory upgrades and had an initial coupon interest at a rate 2.50% until March 1, 2016, increasing to an estimated coupon of 3.36% to March 1, 2020 and then decreasing to an estimated coupon of 1.55% to maturity. The principal payment of \$3,000,000 is due September 2042.
- (b) The 2017 bonds bear interest at rates ranging from 3.25% to 5.00% and require annual principal payments beginning in September 2020 through September 2047. The bonds are tax-exempt and were issued at a premium of approximately \$3,528,000 and included an underwriter's discount and issuance costs of approximately \$151,000 and \$456,000, respectively. These bonds were issued to complete approximately \$10,500,000 of facilities upgrades and defease approximately \$20,000,000 of prior debt.
- (c) The 2021A IDA bonds were issued to restructure approximately \$13,000,000 of prior debt. They bear a 5.00% interest rate and require annual principal and interest payment from September 2030 through 2041. These bonds are tax-exempt and were issued at a premium of approximately \$3,323,000.
- (d) The 2021B IDA bonds were issued to restructure approximately \$18,160,000 of prior debt. They bear a 5.00% interest rate and require annual principal and interest payment from September 2029 through 2041. These bonds are tax-exempt and were issued at a premium of approximately \$4,000,000.
- (e) The 2021C IDA bonds are taxable bonds issued to increase the University's operating liquidity by approximately \$10,000,000. The bonds bear interest rates ranging from 1% to 3.75%. They require annual principal payments from June 2023 through June 2042.

## CLARKSON UNIVERSITY

### Notes to Consolidated Financial Statements

June 30, 2023 and 2022

- (f) The City of Schenectady IDA bonds are Letter of Credit Secured Bonds issued through M&T Bank, under Variable Rate Demand Civic Facility Revenue Bonds. The bonds were issued for facility upgrades and are secured by land and building in the City of Schenectady, New York. The bonds are paid in variable increments through September 1, 2037. Interest is variable and approximates 2.39% at June 30, 2023.
- (g) The M&T bank loan, originally for \$1,250,000 was used to purchase and renovate property on Maple Street in Potsdam for use by the University facilities department. Fixed monthly principal payments of \$20,833 begin August 2019 through February 2029. Required monthly interest payments at a fixed rate of 3.37% began in June 2019.

At June 30, 2023, the aggregate amounts of principal and sinking-fund requirements for long-term debt over the next five fiscal years and thereafter are as follows:

	<u>Amount</u>
Fiscal year:	
2024	\$ 2,208,333
2025	2,268,333
2026	2,358,333
2027	2,453,333
2028	2,553,333
Thereafter	<u>57,875,002</u>
	<u>\$ 69,716,667</u>

The St. Lawrence County IDA bond agreements include provisions requiring the maintenance of a minimum annual debt service coverage ratio. As of June 30, 2023 and 2022, the University is in compliance with these provisions. These balances are secured by the operating and nonoperating revenues of the University.

The University has a \$19,000,000 demand line of credit at a bank with a floating interest rate that is 1.5% above the daily Simple SOFR rate adjusting daily with a SOFR floor of 0.25% and an expiration date of February 9, 2024. The outstanding balances at June 30, 2023, and 2022 were \$19,000,000 and \$15,000,000, respectively.

The University has a \$2,011,000 revolving line of credit with a bank related to its procurement card and supplier pay program on which there was an outstanding balance of \$430,370 and \$241,212 as of June 30, 2023 and 2022, respectively, included in accounts payable and accrued expenses on the consolidated balance sheets. It is interest free if full payment is received within the monthly billing cycle. The credit line is on an annual automatic renewal.

# CLARKSON UNIVERSITY

## Notes to Consolidated Financial Statements

June 30, 2023 and 2022

### (10) Functional Expenses

The statement of activities presents expenses by functional classification. The University also summarizes its expenses by natural classification. The University's primary program services are academic instruction and research. Expenses reported as academic support, student services, institutional support and housing, dining and other auxiliary services are incurred to support these primary program activities.

Operation and maintenance of plant and depreciation expense for land improvements and buildings are allocated based on square footage. Depreciation expense for equipment is allocated based on the functional classifications of the departments in which the equipment is located. Interest expense is allocated based on the functional purpose for which the debt proceeds were used.

Functional expenses for the year ended June 30, 2023 are as follows:

	Salary and wages	Employee benefits	Supplies, services, other	Depreciation	Interest	Operations and maintenance allocation	Operating expenses
Instruction	\$ 32,255,914	9,431,223	7,341,214	8,480	357,544	6,188,202	55,582,577
Research	6,070,545	626,545	4,231,787	3,856	18,620	3,116,503	14,067,856
Academic support	7,417,391	2,461,153	2,945,194	10,868	—	1,515,853	14,350,459
Student services funds	7,863,740	2,336,356	6,355,901	21,815	288,703	3,114,542	19,981,057
Institutional support	7,275,857	2,260,716	6,221,871	4,731	962,581	2,099,040	18,824,796
Housing, dining and auxiliary	710,904	191,246	8,593,165	8,015	923,635	7,254,631	17,681,596
Operations and maintenance	3,990,576	1,270,309	7,047,229	10,648,628	332,029	(23,288,771)	—
2023 Totals	\$ 65,584,927	18,577,548	42,736,361	10,706,393	2,883,112	—	140,488,341

Functional expenses for the year ended June 30, 2022 are as follows:

	Salary and wages	Employee benefits	Supplies, services, other	Depreciation	Interest	Operations and maintenance allocation	Operating expenses
Instruction	\$ 34,765,716	9,788,113	7,266,745	24,760	415,413	6,223,337	58,484,084
Research	5,620,591	691,779	3,618,901	12,470	20,493	3,134,196	13,098,430
Academic support	7,621,742	2,425,812	4,091,793	12,002	—	1,524,459	15,675,808
Student services funds	8,270,052	2,438,642	9,418,414	22,561	410,211	3,132,226	23,692,106
Institutional support	8,221,521	2,474,995	6,893,841	5,167	777,485	2,110,959	20,483,968
Housing, dining and auxiliary	594,416	166,969	7,704,010	12,818	916,989	7,295,821	16,691,023
Operations and maintenance	3,775,611	1,182,139	7,507,958	10,629,409	325,881	(23,420,998)	—
2022 Totals	\$ 68,869,649	19,168,449	46,501,662	10,719,187	2,866,472	—	148,125,419

# CLARKSON UNIVERSITY

## Notes to Consolidated Financial Statements

June 30, 2023 and 2022

### (11) Postretirement Benefits

The University provides certain health care and sick leave benefits for retired employees. The University's employees may become eligible for those benefits if they reach retirement age while working for the University and meet certain minimum service requirements. The following table sets forth the status of the plan, which is unfunded, as of June 30:

	<b>2023</b>	<b>2022</b>
Change in benefit obligation:		
Benefit obligation at beginning of year	\$ 7,472,277	10,197,154
Service cost	108,085	172,698
Interest cost	329,674	271,140
Plan participants' contributions	382,578	448,317
Amendments	—	—
Actuarial loss (gain)	(3,398,931)	(2,751,840)
Benefits paid	(801,677)	(905,483)
Medicare Part D subsidy	46,878	40,291
Benefit obligation at end of year	<u>4,138,884</u>	<u>7,472,277</u>
Change in plan assets:		
Fair value of plan assets at beginning of year	—	—
Employer contributions	372,221	416,874
Plan participants' contributions	382,578	448,318
Benefits paid	(801,677)	(905,483)
Medicare Part D subsidy	46,878	40,291
Fair value of plan assets at end of year	<u>—</u>	<u>—</u>
Funded status at end of year	<u>\$ (4,138,884)</u>	<u>(7,472,277)</u>
	<b>2023</b>	<b>2022</b>
Components of adjustments other than service costs:		
Interest cost	\$ 329,674	271,140
Actuarial gains, net	<u>(3,398,931)</u>	<u>(2,751,840)</u>
Postretirement related adjustments other than service costs	<u>\$ (3,069,257)</u>	<u>(2,480,700)</u>

# CLARKSON UNIVERSITY

## Notes to Consolidated Financial Statements

June 30, 2023 and 2022

The valuation reflects an updated discount rate from 4.5% to 4.9% which resulted in a decrease in the plan liability of \$175,450. Gains from better than expected demographic experience were \$522,836. Plan participation rates decreased as retirees found other benefit alternatives, resulting in a \$851,267 decrease in liability. As a result of this persistent trend, an experience study was completed which evaluated trends in termination, retirement, plan participation and spousal coverage. The result of this study updated rates in all of these areas and drove a decrease in plan liability of \$1,859,133.

	<u>2023</u>	<u>2022</u>
Discount rates:		
Year end benefit obligation	4.90 %	4.50 %
Net periodic benefit cost	4.50	2.70
Components of net periodic benefit cost:		
Service cost	\$ 108,085	172,698
Interest cost	329,674	271,140
Amortization of net gain	(600,874)	(301,285)
Amortization of prior service credit	(1,210,583)	(1,220,806)
Net periodic benefit	<u>\$ (1,373,698)</u>	<u>(1,078,253)</u>

### *Estimated Future Benefit Payments*

The following estimated benefit payments, net of plan participant contributions are expected:

	<u>Estimated benefit payments</u>
2024	\$ 276,072
2025	275,296
2026	283,940
2027	281,259
2028	291,820
2029–2033	1,506,016

For measurement purposes, 6% and a 3.5% annual rate of increase in the per capita cost of covered health care and dental benefits, respectively, was assumed as of June 30, 2023. The health care rate was assumed to increase for 2024 and then decrease each year through 2045 to 4.7% and remain at that level thereafter while the dental rate trend remains constant for all years.

## (12) Commitments and Contingencies

The University is subject to various claims and lawsuits arising during the normal course of business. In management's opinion, the resolution of these matters will not have a significant adverse effect on the University's financial position, operations, or cash flows.



## **CLARKSON UNIVERSITY**

### **Notes to Consolidated Financial Statements**

June 30, 2023 and 2022

The University partially retains the risk for medical insurance. The University carries stop/loss insurance that covers medical and prescription drug claims that exceed the annual aggregate attachment point of approximately \$9,832,205 and \$9,863,366 in 2023 and 2022, respectively. The attachment point for any individual claim is \$175,000. The University's estimated liability for its retained risk under these policies amounted to approximately \$780,493 and \$723,892 as of June 30, 2023 and 2022, respectively, and is recorded within other liabilities on the consolidated balance sheets.

#### **(13) Subsequent Events**

The University has evaluated subsequent events through November 17, 2023, the date on which the consolidated financial statements were issued. The University is not aware of any additional subsequent events which would require recognition or disclosure in the consolidated financial statements.

#### **(14) Related-Party Transactions**

Senior management and trustees may, from time to time, be associated either directly or indirectly with companies doing business with the University. The University has a written conflict of interest policy that requires annual reporting by each trustee, member of senior management and key employees. These reports are reviewed by the Audit Committee of the University's Board of Trustees and should such relationships exist, measures are taken to address the conflict based on terms that are fair and reasonable to and in the best interest of the University.

The University operates two related entities as noted in Footnote 1(a), the Beacon Institute, Inc. (Beacon) and J.R. Weston, Inc. (Weston). All significant inter-entity accounts and transactions are eliminated in consolidation.

**CLARKSON UNIVERSITY**  
Supplementary Schedule of Expenditures of Federal Awards  
June 30, 2023

	Direct award or pass-through entity identifying number	Federal ALN number	Passed through to subrecipients	Federal expenditures
Research and Development:				
U.S. National Aeronautics and Space Administration:				
NASA – Lunar Concrete	Direct	43.012	\$ —	27,232
Cornell University	90830-21692	43.008	—	6,525
Cornell University	90830-20364	43.008	—	8,022
Total U.S. National Aeronautics and Space Administration			—	41,779
U.S. Department of Agriculture:				
University of California – Davis	58-2032-3-009	10.001	—	2,116
C2C2C COLBY USDA	2021-NIFA-CRs-02	10.310	3,747	276,491
St Lawrence Health	CLSS00000072829	10.516	—	69,040
Total U.S. Department of Agriculture			3,747	347,647
U.S. Department of Defense:				
Department of the Air Force:				
US ARMY CORE of ENGINEERS-SERD	Direct	12.114	64,786	366,632
US ARMY CORE of ENGINEERS-SERD	Direct	12.000	14,285	19,833
Air Force Office of Scientific Research	Direct	12.800	—	85,562
University of Texas at Austin	W912HQ21C0050	12.114	—	1,236
University of Texas at Austin	W912HQ22C0030	12.000	—	2,941
BATTELLE	US001-0000790251	12.000	—	90,557
Subtotal			79,071	566,761
U.S. Department of the Navy:				
Basic and Applied Scientific Research	Direct	12.300	—	261,194
OFFICE OF NAVAL RESEARCH	Direct	12.300	—	149,302
OFFICE OF NAVAL RESEARCH	Direct	12.300	—	418,067
Florida State University	R000003044	12.300	—	224,107
Subtotal			—	1,052,670
U.S. Army Material Command:				
Basic Scientific Research	Direct	12.431	—	50,060
METIS Foundation	#S-W81XWH-20-2-0054-01	12.420	—	62,000
Subtotal			—	112,060
National Security Agency:				
BIGELOW LAB FOR OCEAN SERVICES	DE-AR0001169	12.910	—	797
QUEENSLAND UNIV OF TECHNOLOGY	W81XWH2010708	12.910	—	13
DARTMOUTH COLLEGE	W912HQ23C0023	12.910	—	4,412
Subtotal			—	5,222
NSA/Mathematics	Direct	12.901	—	58,824
Subtotal			—	58,824
Total U.S. Department of Defense			79,071	1,795,537
U.S. Department of Energy:				
Dept of Energy	Direct	81.089	—	53,341
Dept of Energy	Direct	81.086	—	185,828
UNIVERSITY OF California	DE-AC02-05CH11231	81.000	—	23,111
University of Minnesota	A006801506	81.049	—	1,870
University of Minnesota	SUBK00011109	81.049	—	92,735
Total U.S. Department of Energy			—	356,885
U.S. Department of Health and Human Services:				
National Institutes of Health:				
NIH Fingerprinting	Direct	93.859	—	249,097
NIH PNS Communication	Direct	93.853	—	42,366
NIH R15 2021 BC Detect	Direct	93.394	—	205,677
NIH ESTEEMED BOREALIS	Direct	93.286	—	500
NIH R15 Runx2 And Runx3	Direct	93.865	—	67,402
Wakeforest univ Health science	997-39243-11000000215	92.273	—	211,420
NW CARES Learning from Covid	CT-ORH 2021-02	93.913	—	24
THE WINDWARD ISLAND RESEARCH & DEV	R25TW009731	93.989	—	70,045
Massachusetts General Hospital	230317	93.173	—	38,598
Massachusetts General Hospital	2P50DC015446-06A1	93.173	—	7,409
Total U.S. Department of Health and Human Services			—	892,538
U.S. Department of Transportation:				
Purdue University	192000267-029	20.200	—	75,190
Total U.S. Department of Transportation			—	75,190
U.S. Department of Commerce:				
NOAA	Direct	11.431	—	195,555
Measurement and Engineering Research and Standards	Direct	11.609	—	10,705
Dartmouth College	R1634	11.417	—	16,231
Great Lakes Observing System	IOOS098/YR2-ROP-03	11.012	—	1,985
Total U.S. Department of Commerce			—	224,476

**CLARKSON UNIVERSITY**  
Supplementary Schedule of Expenditures of Federal Awards  
June 30, 2023

	Direct award or pass-through entity identifying number	Federal ALN number	Passed through to subrecipients	Federal expenditures
U.S. Environmental Protection Agency:				
Office of Water:				
Great Lakes Program – GLFMSP 2021	Direct	66.469	\$ 167,663	618,931
Total U.S. Environmental Protection Agency			167,663	618,931
U.S. Department of Homeland Security:				
Dept of Homeland Security	Direct	97.077	—	39,053
Total U.S. Department of Homeland Security			—	39,053
U.S. Department of Interior:				
US Geological Survey – Natural Resource Stewardship	Direct	15.944	9,452	132,322
Univ of California at Berkeley	R22AC00429-00	15.506	10,732	54,092
Total U.S. Department of Interior			20,184	186,414
National Science Foundation:				
Engineering Grants	Direct	47.041	—	1,482,528
UNIVERSITY OF BUFFALO	1822190	47.041	—	2,203
University of NC – Charlotte	CFM-C01-01	47.041	—	4,707
University of NC – Charlotte	CFM3-002-P	47.041	—	40,000
University of NC – Charlotte	CFM3-006-P	47.041	—	20,000
Subtotal			—	1,549,438
Mathematical and Physical Sciences	Direct	47.049	—	297,511
Subtotal			—	297,511
Geosciences	Direct	47.050	—	131,635
Subtotal			—	131,635
Computer and Information Science and Engineering:				
Computer and Information Science and Engineering	Direct	47.070	231,326	935,599
MICHIGAN STATE UNIVERSITY	RC110306CU	47.070	—	138
WEST VIRGINIA UNIVERSITY	16-800-CU-2	47.070	—	23,338
INFINEON TECH AMERICAS CORP	1650503	47.070	—	6
Subtotal			231,326	959,081
Social, Behavioral, and Economic Sciences – Mispercept Random	Direct	47.075	—	85,846
Biological Sciences	Direct	47.074	—	59,393
Education and Human Resources	Direct	47.076	32,329	599,820
AMERICAN SOCIETY FOR ENGINEERING ED	211318	47.076	—	23,704
The Concord Consortium	353.21-01	47.076	—	152,137
Syracuse University	25914-04742-S03	47.076	—	48,235
Subtotal			32,329	823,896
Total National Science Foundation			263,655	3,906,800
Total Research and Development Cluster			534,320	8,485,250
National Endowment for the Humanities:				
Promotion for the Humanities Teaching and Learning Resources	Direct	45.162	—	4,585
Total National Endowment for the Humanities			—	4,585
U.S. Department of Education:				
English Language Acquisition Grant Program	Direct	84.365	—	414,852
College for Every Student	P116W220032	84.116	—	226
Total U.S. Department of Education			—	415,078
U.S. Department of Education:				
Student Financial Assistance:				
Supplemental Educational Opportunity Grant Program	Direct	84.007	—	324,118
Federal Direct Loan Program (note 2)	Direct	84.268	—	26,607,155
Federal Work-Study Program	Direct	84.033	—	501,281
Federal Perkins Loan Cancellations	Direct	84.037	—	3,300
Federal Perkins Loan Program (note 2)	Direct	84.038	—	2,403,159
Pell Grant Program	Direct	84.063	—	2,796,892
Total Student Financial Assistance Cluster			—	32,635,905
U.S. Department of Education:				
TRIO Cluster:				
CU Student Support Services	Direct	84.042	—	316,579
McNair Program	Direct	84.217	—	294,654
Total TRIO Cluster			—	611,233
Total expenditures of federal awards			\$ 534,320	42,152,051

See accompanying independent auditors' report.

## CLARKSON UNIVERSITY

### Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2023

#### (1) Basis of Presentation

The accompanying supplementary schedule of expenditures of federal awards (the Schedule) includes the federal grant transactions of Clarkson University (the University). The Schedule presents only a selected portion of the operations of the University, it is not intended to and does not present the financial position, changes in net assets or cash flows of the University. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The Schedule includes the expenditures of the University's two campuses: Clarkson University and Capital Region Campus.

#### (2) Loan Programs

The University has the following loan balances outstanding for the Federal Perkins Loan Program:

Loan receivable balance at June 30, 2022	\$	2,403,159
Loans advanced during fiscal year 2023		—
Administrative cost allowance		<u>—</u>
Federal expenditures		2,403,159
Current year loan repayments or reductions		<u>(1,030,973)</u>
Loan receivable balance at June 30, 2023	\$	<u><u>1,372,186</u></u>

The Federal Perkins Loan Program is administered directly by the University and the balance and transactions related to this program are included in the University's consolidated financial statements.

Federally guaranteed loans issued to students of the University during the year ended June 30, 2023 amounted to \$15,163,612. Federally guaranteed loans issued to parents of students of the University under the PLUS Loan Program during the year ended June 30, 2023 amounted to \$11,443,543. The University is responsible only for the performance of certain administrative duties with respect to the programs and, accordingly, balances and transactions relating to them are not included in the University's consolidated financial statements.

#### (3) Facilities and Administrative Costs

For research and development awards, the University has obtained predetermined facilities and administrative cost rates for fiscal years 2019–2024, which have been reviewed and approved by the U.S. Department of Health and Human Services, the University's federal oversight agency. The base rate for on-campus research is 53% for fiscal year 2023. The base rate for off-campus research is 18.1% for fiscal year 2023. Both rates use modified total direct costs as a base.



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One Park Place  
463 Mountain View Drive, Suite 400  
Colchester, VT 05446-9909

**Independent Auditors' Report on Internal Control Over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance With *Government Auditing Standards***

The Board of Trustees  
Clarkson University:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Clarkson University (the University), which comprise the University's consolidated balance sheet as of June 30, 2023, and the related consolidated statements of activities, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated November 17, 2023.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the consolidated financial statements, we considered the University's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a deficiency in internal control, as described below, that we consider to be a significant deficiency.

**Finding 2023-001, Financial Reporting**

During the past two fiscal year-end audits we disclosed a significant deficiency in internal controls over financial reporting. During the fiscal year-end 2023 audit we did not observe substantial improvement in the internal control environment over financial reporting. We continued to identify financial statement adjustments as a result of our audit procedures. Management continued to have significant difficulty in preparing the statement of cash flows specifically as it relates to investing activities. Additionally, we continued to observe management not performing adequate net asset analysis or monitoring restricted net asset balances at the project level.



We noted management does not have a robust and systematic process in place whereby the financial statements are prepared and reconciled to supporting documentation. As a result, management was not able to timely provide complete and accurate supporting documentation for various significant accounts, including investing cash flows and net assets. We also continued to note a number of correcting journal entries as a result of the lack of a secondary review and approval process at a sufficient level of precision.

The lack of specific, repeatable formalized policies and procedures over internal controls in financial reporting creates a risk that the consolidated financial statements could be misstated. We recommend that management perform a review of the University's policies and procedures for account analysis and reconciliation, review existing internal controls for opportunities to strengthen, and add specific policies and procedures to, on a periodic basis throughout the year, prepare the financial statements in accordance with Generally Accepted Accounting Principles (GAAP) vs. solely preparing them on an annual basis. Further, we recommend the University consider additional training for its staff and/or obtaining additional GAAP accounting or auditing expertise. Finally, we recommend the University investigate better reporting through internal systems or through service providers, such as the outsourced investment provider, to aid in efficiently and effectively analyzing and reporting on key transactions.

### **Management's Response**

The University has taken several steps to address the continuing concerns raised in this audit. With regard to journal entry review and posting processes, effective July 1, 2023 all manual journal entries are processed through a PeopleSoft workflow that requires secondary approval by either the Controller or one of the two Associate Controllers prior to posting to the general ledger system. Without this approval action, a manual journal entry will not post to the general ledger. The listing of open manual journal entries is maintained within the PeopleSoft workflow tool for the three authorized reviewers.

In January 2023, the University purchased the FloQast workflow management system in an effort to address internal control concerns identified in the prior year audit. This product is specifically designed to manage financial account reconciliation, variance analysis and closing processes. FloQast receives a daily file import of the PeopleSoft trial balance for all general ledger accounts. Reconciliation of each general ledger account is assigned to a University staff member for either monthly or quarterly review. Reconciliations occur within the FloQast system with secondary staff approvals as needed for key general ledger accounts. FloQast will provide user alerts to any reconciled account becoming out of balance due to adjusting entries. Further, as historical balances are added to the FloQast system, variance analysis reports will be generated down to the individual account level. Finally, monthly, quarterly and annual closeout procedures are being built into the FloQast workflow process to allow for timely identification and status tracking of each process, by both the process owner and the final approver.

While accounting processes exist in an internal process memo utilized by the Controller's Office staff, a formalized process and procedures manual is being developed and will be maintained on a publically facing page of the University intranet to allow all campus users access for reference.

As of July 18, 2023, the University added two new positions; Internal Auditor, reporting directly to the Vice President of Financial Affairs and the Audit Committee Chair, and Project Accounting Analyst, reporting to the Controller. While the Internal Auditor will have broad ranging oversight to University systems, it is expected that further University-wide policies and procedures will be developed as a result of these reviews, including those directly impacting financial operations and controls. The purpose of the Project Accounting Analyst position is to review and monitor net asset balances at the project level. A key component of the position involves meeting with campus account managers in conjunction with the Budget Office staff on a quarterly basis to review current activity, address questions related to transactional activity and promote prompt and timely close out of projects. In conjunction with this work, stale projects are being reviewed for potential closeout or ability to utilize available funding sources for current operations. All of these activities are designed to maintain better insight



and control over net asset balances. This position is also tasked with developing policies and procedures around the creation and management of project accounts.

Over the past year, Management has utilized the resources of the National Association of College and University Business Officers (NACUBO) for consulting, training and advising purposes. Management will continue to utilize this resource and other available resources to further enhance knowledge and develop best practices. Management has committed to contracting with an outside accounting firm to provide further training, support and best practice guidance to the accounting staff. Further, an effort is underway to fill current vacancies within the Controller's Office with individuals trained to a higher level of accounting knowledge, as well as knowledge specific to the higher education and not for profit fund accounting sector. Through the current audit cycle, a series of reports and procedures have been developed to aid in a more timely and accurate preparation of financial statements.

### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the University's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **University's Response to the Finding**

*Government Auditing Standards* requires the auditor to perform limited procedures on the University's response to the findings identified in our audit and described above. The University's response was not subjected to the other auditing procedures applied in the audit of the consolidated financial statements and, accordingly, we express no opinion on the response.

### **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**KPMG LLP**

Colchester, Vermont  
November 17, 2023



KPMG LLP  
One Park Place  
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**Independent Auditors' Report on Compliance for Each Major Federal Program;  
Report on Internal Control Over Compliance; and Report on Schedule of  
Expenditures of Federal Awards Required by the Uniform Guidance**

The Board of Trustees  
Clarkson University:

**Report on Compliance for Each Major Federal Program**

*Opinion on Each Major Federal Program*

We have audited Clarkson University's (the University) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the University's major federal programs for the year ended June 30, 2023. The University's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the University complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

*Basis for Opinion on Each Major Federal Program*

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the University and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the University's compliance with the compliance requirements referred to above.

*Responsibilities of Management for Compliance*

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the University's federal programs.

*Auditors' Responsibilities for the Audit of Compliance*

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the University's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS,





*Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the University's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the University's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the University's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

#### *Other Matters*

The results of our auditing procedures disclosed other instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2023-002 and 2023-005. Our opinion on each major federal program is not modified with respect to these matters.

*Government Auditing Standards* requires the auditor to perform limited procedures on the University's responses to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The University is also responsible for preparing a corrective action plan to address each audit finding included in our auditors' report. The University's responses and corrective action plan were not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses or the corrective action plan.

#### **Report on Internal Control Over Compliance**

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned



functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2023-002, 2023-003, 2023-004 and 2023-005 to be significant deficiencies.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

*Government Auditing Standards* requires the auditor to perform limited procedures on the University's responses to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The University is also responsible for preparing a corrective action plan to address each audit finding included in our auditors' report. The University's responses and corrective action plan were not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses or the corrective action plan.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

#### **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the consolidated financial statements of the University as of and for the year ended June 30, 2023, and have issued our report thereon dated November 17, 2023, which contained an unmodified opinion on those consolidated financial statements. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

*KPMG LLP*

Colchester, Vermont  
May 20, 2024

**CLARKSON UNIVERSITY**  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2023

**Section I – Summary of Auditors’ Results**

*Financial Statements*

Type of auditors’ report issued on whether the financial statements were prepared in accordance with U.S. generally accepted accounting standards:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ Yes      X   No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? \_\_\_\_\_ Yes    \_\_\_\_\_ None reported

**Finding 2023-001**

Noncompliance material to the financial statements noted?

\_\_\_\_\_ Yes      X   No

*Federal Awards*

Internal control over major programs:

- Material weakness(es) identified? \_\_\_\_\_ Yes      X   None noted
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? \_\_\_\_\_   X   Yes    \_\_\_\_\_ No

Type of auditors’ report issued on compliance for major programs:

Unmodified

- Any audit findings disclosed that are required to be reported in accordance with Section 200.516(a) of the Uniform Guidance

\_\_\_\_\_   X   Yes    \_\_\_\_\_ No

*Identification of Major Programs*

<u>Name of federal program or cluster</u>	<u>Federal ALN</u>
Research and Development Cluster	Various
Student Financial Assistance Cluster	Various

Dollar threshold used to distinguish between Type A and Type B programs:

\$1,264,562

Auditee qualified as low-risk auditee?

\_\_\_\_\_ Yes      X   No

**CLARKSON UNIVERSITY**  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2023

**Section II – Findings related to Financial Statements**

Finding 2023-001 Financial Reporting is listed on page 35 – 37.

**Section III – Federal Awards – Findings and Questioned Costs**

**Finding Number:** 2023-002

**Program:** Student Financial Assistance Cluster – Federal Direct Loan Program

**Federal Agency Name:** United States Department of Education

**Federal Award Year:** July 1, 2022 – June 30, 2023

**Federal Assistance Listing Number:** 84.268

**Finding Type:** Significant deficiency and non-compliance

**Compliance requirement: Special test:** Disbursements

*Criteria*

The institution must notify the student, or parent, in writing of (1) the date and amount of the disbursement, and (2) the student's right, or parent's right to cancel all or a portion of that loan or loan disbursement and have the loan proceeds returned to the holder of that loan payments returned to ED; and (3) the procedure and time by which the student or parent must notify the institution that he or she wishes to cancel the loan. Institutions that implement an affirmative confirmation process (as described in 34 CFR 668.165 (a)(6)(i)) must make this notification to the student or parent no earlier than 30 days before, and no later than 30 days after, crediting the student's account at the institution with Direct Loans. Institutions that do not implement an affirmative confirmation process must notify a student no earlier than 30 days before, but no later than seven days after, crediting the student's account and must give the student 30 days to cancel all or part of the loan.

Per 2 CFR Part 200.303, non-Federal entities receiving Federal awards must establish and maintain effective internal controls over Federal awards that provide reasonable assurance that they are managing Federal awards in compliance with Federal statutes, regulations and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. One of the University's many responsibilities includes establishing a system of internal controls in determining disbursement notifications for student aid.

*Condition*

For 3 of 40 students selected for test work, the University was unable to provide evidence that the student was notified that the Federal Direct loan funds were disbursed to the student's account.

*Cause*

The cause of the condition found was due to a system error that prevented the disbursement notification from being sent.

**CLARKSON UNIVERSITY**  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2023

*Effect*

The effect of the condition found is that students may not have been properly notified of the disbursement to their accounts or their right to cancel the loans.

*Questioned Costs*

None.

*Statistical Sampling*

The sample was not intended to be, and was not, a statistically valid sample.

*Identification of Whether the Audit Finding was a Repeat Finding*

This is not a repeat finding.

*Recommendation*

We recommend the University review its processes and controls over disbursement notifications to ensure that all notifications are sent timely to students and parents and that evidence is maintained to support compliance with the above noted requirements.

*Views of Responsible Officials*

Management accepts this finding and notes that loan disbursement notifications are automatically sent to students (we mail notifications to parents and have copies of those saved). There was a glitch in the system that was discovered while going through the audit that occurred on 2 dates in 2023 (May 31, 2023 and September 3, 2023) which has since been fixed. Financial Aid worked with the Office of Information Technology to develop a daily report that will notify the Director of Financial Aid of anyone that did not receive a notification.

**Finding Number:** 2023-003

**Program:** Research and Development Cluster – Geographic Programs-Great Lakes Restoration Initiative

**Federal Agency Name:** Environmental Protection Agency

**Federal Award Year:** July 1, 2022 – June 30, 2023

**Federal Assistance Listing Numbers:** 66.469

**Finding Type:** Significant Deficiency

**Compliance Requirement:** Allowable Costs/Cost Principles

*Criteria*

The Uniform Guidance Section 200.430, states that charges to federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:

- (i) Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;

**CLARKSON UNIVERSITY**  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2023

- (ii) Be incorporated into the official records of the non-Federal entity;
- (iii) Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities
- (iv) Encompass federally-assisted and all other activities compensated by the non-Federal entity on an integrated basis, but may include the use of subsidiary records as defined in the non-Federal entity's written policy;
- (v) Comply with the established accounting policies and practices of the non-Federal entity and
- (vi) Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity.

Further, in accordance with 2 CFR 200.303(a), non-federal entities must establish and maintain effective internal control over the federal award that provides reasonable assurance that the non-federal entity is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award.

*Condition*

The University performs certain manual calculations when a faculty or graduate assistant has multiple appointments in order to determine the appropriate percentage allocation to each federal award or non-federal activity.

During our testing internal controls and compliance over allowable costs/cost principles specific to payroll we noted that the University did not have internal controls designed at a sufficient level of precision to detect errors in manual calculations when the employee has more than one supplemental pay authorization. As a result we noted that, 2 out of 62 payroll transactions tested the amount allocated and charged to the grant was incorrect. We noted that the 2 transactions were for the same employee and impacted the same award.

*Cause*

In discussing this with the University, this employee had submitted two separate payroll authorizations for his summer research salary at different times and a manual calculation error was made in the allocation to the appropriate grant. The University's internal controls over review of supplemental pay authorizations did not include a secondary review of the calculation by someone other than the preparer before the allocation was input into the payroll system.

*Effect*

The lack of internal controls at a sufficient level of precision and in particular where there are manual calculations can result in incorrect allocations and charges to federal awards and ultimately unallowable costs.

*Questioned Costs*

None.

**CLARKSON UNIVERSITY**  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2023

*Statistical Sampling*

Our sample was not and was not intended to be statistically valid.

*Identification of Whether the Audit Finding was a Repeat Finding*

This finding is a repeat finding in the immediately prior audit finding 2022-003

*Recommendation*

We recommend that the University implement a more thorough and detailed process and related internal controls to review payroll authorization forms and manual calculations performed before the payroll allocation is recorded to the federal grant, including a review by someone other than the preparer.

*Views of Responsible Officials*

Management accepts this finding and notes that payrolls effected were at the very end of the current audit period and that the error was identified and corrected independently in the subsequent fiscal year.

To further address this repeat issue, payroll will run monthly payroll queries and conduct an internal audit of payroll. Additionally, the Sponsored Research Office will work with PI's to encourage them to plan their summer research efforts such that a research project is not included on more than one summer salary request forms.

Although management feels this was an isolated incidence, the University will implement a set of controls that require a secondary review of all manual calculation for payroll authorizations.

**Finding Number:** 2023-004

**Program:** Research and Development Cluster

**Federal Agency Name:** Various

**Federal Award Year:** July 1, 2022 – June 30, 2023

**Federal Assistance Listing Numbers:** various

**Finding Type:** Significant Deficiency

**Compliance Requirement:** Cash Management

*Criteria*

In accordance with 2 CFR 200.303(a), non-federal entities must establish and maintain effective internal control over the federal award that provides reasonable assurance that the non-federal entity is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award.

*Condition*

During our testing of cash management, we noted that University has not effectively segregated drawdown preparation, approval, and submission duties. Specifically, the Research Accountant prepares, submits, and certifies drawdowns without a secondary review or approval.

**CLARKSON UNIVERSITY**  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2023

*Cause*

The University did not have adequately designed internal controls in the cash management process.

*Effect*

Cash draws could be incorrectly calculated and the incorrect amount drawn down on federal grants.

*Questioned Costs*

None

*Statistical Sampling*

Our sample was not and was not intended to be statistically valid.

*Identification of Whether the Audit Finding was a Repeat Finding*

This was not a repeat finding

*Recommendation*

We recommend that the University implement an additional step in the cash drawdown process to include a review by someone other than the preparer of the drawdown and segregation of duties between the person preparing the drawdown request and the person performing the actual cash draw through the federal systems.

*Views of Responsible Officials*

Management accepts this finding and notes that the University's policy regarding drawdowns was updated in August 2023 to clarify our procedures to include a secondary review by someone other than the preparer of the drawdown request.

"Awards from federal agencies are not paid in full or in advance at the time they are awarded to the University. Instead, the University is required to draw funds down from the federal agencies payment systems periodically to reimburse the University for its expenses on all of our federal grants.

The Research Accountant accesses the federal payment systems periodically to prepare cash drawdowns for reimbursement of expenditures on federal grants at the University. The Research Accountant receives a report on all sponsored projects. That list of grants can be used to run an expense detail report for the period of time that the reimbursement request is covering on a monthly schedule throughout the year. That list of grants can also be used to check that our records are up to date and accurate as far as award amounts and budgets are concerned.

The payment request amount is calculated as the difference between the Cumulative Expenses as of the end date of the month you are doing the drawdown for and the Cumulative Expenses as of the last day of the period the last drawdown was requested. This calculation is done on each active award and the sum of all of the calculated payment requests is the total amount of the drawdown to be requested.

The payment calculations are reviewed and approved by either the Sr. Research Accountant, Associate Controller or Controller. In the event the Sr. Research Accountant prepares the drawdown, the Associate Controller or the Controller must review and approve prior to submission. After receiving approval, whoever



**CLARKSON UNIVERSITY**  
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initiated the drawdown will submit and certify the drawdown. In no circumstance, shall the preparer submit and certify without first obtaining approval from the Associate Controller or Controller.”

It has also been the practice in the Controller’s Office that drawdowns are posted to the General Ledger by the AR Specialist/Cashier as they appear in the M&T bank account which the bank reconciliation process is then separate from and performed by someone other than the person preparing the drawdown. The Controller’s Office also documented Drawdown Procedures in order to clarify the process. In July 2023, the Controller’s Office added an additional Research Accountant bringing the staff from one to two employees to better share and segregate job duties.

**Finding Number:** 2023-005

**Program:** Research and Development Cluster

**Federal Agency Name:** Department of Agriculture, National Science Foundation, Environmental Protection Agency, Department of Homeland Security, Department of Commerce, Department of Defense and Department of Health and Human Services.

**Federal Award Year:** July 1, 2022 – June 30, 2023

**Federal Assistance Listing Numbers:** 10.310, 47.041, 47.070, 66.469, 97.077, 11.609, 12.901, 93.913

**Finding Type:** Significant deficiency and non-compliance

**Compliance Requirement:** Period of Performance

*Criteria*

Unless the federal awarding agency or pass-through entity authorizes an extension, a non-federal entity must liquidate all financial obligations incurred under the federal award not later than 120 calendar days after the end date of the period of performance as specified in the terms and conditions of the federal award (2 *CFR* section 200.344(b))

In accordance with 2 *CFR* 200.303(a), non-federal entities must establish and maintain effective internal control over the federal award that provides reasonable assurance that the non-federal entity is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award.

*Condition*

During our testing of period of performance, we noted that 8 out of 20 transactions tested for grants closed out in FY23 had transactions posted to the grant more than 120 days after the close out of the award or the end of the period of performance. After reviewing the full population of grants that ended during FY23 we noted a total of 8 grants and 47 transactions that were posted to the grant more than 120 days after the close out of the award or the end of the period of performance. Specifically, we noted for 38 of the 47 transactions posted late were to move costs off the grants for a total of (\$39,006) and 9 transactions were to add expenses to the grants for a total of \$27,266.

**CLARKSON UNIVERSITY**  
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*Cause*

In discussing this with the University, there was not adequately designed internal controls to ensure grants are closed out timely in accordance with the federal regulations, primarily in times of turnover in staff in the office of sponsored research.

*Effect*

Unsupported costs could be charged to a grant after the close out period.

*Questioned Costs*

<u>ALN</u>	<u>Amount</u>
10.310	\$ 1,092
47.041	3
47.070	628
66.469	543
97.077	25,000
Total	<u>\$ 27,266</u>

*Statistical Sampling*

Our sample was not and was not intended to be statistically valid.

*Identification of Whether the Audit Finding was a Repeat Finding*

This was not a repeat finding

*Recommendation*

We recommend that the University implement a more thorough and detailed process and related internal controls to ensure that grants are closed out timely.

*Views of Responsible Officials*

Management accepts this finding. Sponsored Research Service and the Controller's Office work in tandem on the closing process. The Controller's office has a schedule of projects ready to close and has assigned this pool of projects among the research accounting staff. In February 2024, the Controller's Office hired a second Research Accountant. With the additions of these two positions the University will work towards closing out projects within 90-120 days. In March 2024, the Controller's Office developed a Close out excel form to aid in capturing each of the necessary steps required on the accounting side of the process.